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## **OFFICE OF MANAGEMENT AND BUDGET**

### **2014 Statutory Pay-As-You-Go Act Annual Report**

Authority: 2 U.S.C. 934

AGENCY: Office of Management and Budget (OMB).

ACTION: Notice.

SUMMARY: This report is being published as required by the Statutory Pay-As-You-Go (PAYGO) Act of 2010, 2 U.S.C. 931 et seq. The Act requires that OMB issue (1) an annual report as specified in 2 U.S.C. 934(a) and (2) a sequestration order, if necessary.

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SUPPLEMENTARY INFORMATION: This report and additional information about the PAYGO Act can be found at [http://www.whitehouse.gov/omb/paygo\\_default](http://www.whitehouse.gov/omb/paygo_default).

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This Report is being published pursuant to section 5 of the Statutory Pay-As-You-Go (PAYGO) Act of 2010, Public Law 111-139, 124 Stat. 8, 2 U.S.C. 934, which requires that OMB issue an annual PAYGO report, including a sequestration order if necessary, no later than 14 working days after the end of a congressional session.

This Report describes the budgetary effects of all PAYGO legislation and legislation designated as an emergency under section 4(g) of the PAYGO Act enacted during the second session of the 113<sup>th</sup> Congress and presents the 5-year and 10-year PAYGO scorecards maintained by OMB. Because neither the 5-year nor 10-year scorecard shows a debit for the budget year, which for purposes of this Report is fiscal year 2015,<sup>1</sup> a sequestration order under subsection 5(b) of the PAYGO Act, 2 U.S.C. 934(b), is not necessary.

The scorecards include no current policy adjustments made under section 4(c) of the PAYGO Act, 2 U.S.C. 933(c), for legislation enacted during the second session of the 113<sup>th</sup> Congress. The authority for current policy adjustments expired as of December 31, 2011. For these reasons, the Report does not contain any information about or descriptions of any current policy adjustments.

## **I. PAYGO Legislation with Budgetary Effects**

PAYGO legislation is authorizing legislation that affects direct spending or revenues, and appropriations legislation that affects direct spending in the years beyond

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<sup>1</sup> References to years on the PAYGO scorecards are to fiscal years.

the budget year or affects revenues in any year.<sup>2</sup> For a more complete description of the Statutory PAYGO Act, see the OMB website, [http://www.whitehouse.gov/omb/paygo\\_description](http://www.whitehouse.gov/omb/paygo_description), and Chapter 9, “Budget Concepts,” of the *Analytical Perspectives* volume of the 2015 Budget, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/concepts.pdf>.

The 5-year and 10-year PAYGO scorecards for each Congressional session begin with the balances of costs or savings carried over from previous sessions and then tally the costs or savings of PAYGO laws enacted in that session. The 5-year PAYGO scorecard for the second session of the 113<sup>th</sup> Congress began with balances of savings of \$9,969 million in 2015 and \$814 million in 2017, but with balances of costs of \$1,066 million in 2016 and \$25 million in 2018. The completed 5-year scorecard for the session shows that PAYGO legislation enacted during the session was estimated to have PAYGO budgetary effects that reduced the deficit by an average of \$626 million each year from 2015 through 2019.<sup>3</sup> These new savings on the scorecard increased the balances of savings in 2015 and 2017, reduced the balance of costs in 2016, and eliminated the

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<sup>2</sup> Provisions in appropriations acts that affect direct spending in the years beyond the budget year (also known as “outyears”) or affect revenues in any year are considered to be budgetary effects for the purposes of the PAYGO scorecards except if the provisions produce outlay changes that net to zero over the current year, budget year, and the four subsequent years. As specified in section 3 of the PAYGO Act, off-budget effects are not counted as budgetary effects. Off-budget effects refer to effects on the Social Security trust funds (Old-Age and Survivors Insurance and Disability Insurance) and the Postal Service.

<sup>3</sup> As provided in section 4(d) of the PAYGO Act, 2 U.S.C. 933(d), budgetary effects on the PAYGO scorecards are based on congressional estimates for bills including a reference to a congressional estimate in the Congressional Record, and for which such a reference is indeed present in the Record. Absent such a congressional cost estimate, OMB is required to use its own estimate for the scorecard. None of the bills enacted during the second session of the 113<sup>th</sup> Congress had such a congressional estimate and therefore OMB was required to provide an estimate for all PAYGO laws enacted during the session.

balance of costs in 2018.

The 10-year PAYGO scorecard for the second session of the 113<sup>th</sup> Congress began with balances of savings of \$8,209 million in each year from 2015 to 2020, savings of \$1,838 million in 2021, savings of \$1,128 million in 2022, and costs of \$7 million in 2023. The completed 10-year scorecard for the session shows that PAYGO legislation for the session reduced the deficit by an average of \$1,521 million each year from 2015 through 2024. These new savings increased the balances of savings on the 10-year scorecard from 2015 through 2022 and eliminated the costs on the scorecard for 2023.

In the second session of the 113<sup>th</sup> Congress, 54 laws were enacted that were determined to constitute PAYGO legislation. Of the 54 enacted PAYGO laws, 19 laws were estimated to have PAYGO budgetary effects (costs or savings) in excess of \$500,000 over one or both of the 5-year or 10-year PAYGO windows. These were:

- Consolidated Appropriations Act, 2014, Public Law 113-76;
- Agriculture Act of 2014, Public Law 113-79;
- OPM IG Act, Public Law 113-80;
- An Act to ensure that the reduced annual cost-of-living adjustment to the retired pay of members and former members of the Armed Forces under the age of 62 required by the Bipartisan Budget Act of 2013 will not apply to members or former members who first became members prior to January 1, 2014, and for other purposes, Public Law 113-82;
- Homeowner Flood Insurance Affordability Act of 2014, Public Law 113-89;
- Gabriella Miller Kids First Research Act, Public Law 113-94;

- Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014, Public Law 113-95;
- Cooperative and Small Employer Charity Pension Flexibility Act, Public Law 113-97;
- Digital Accountability and Transparency Act of 2014, Public Law 113-101;
- An Act to provide additional visas for the Afghan Special Immigrant Visa Program, and for other purposes, Public Law 113-160;
- Continuing Appropriations Resolution, 2015, Public Law 113-164;
- Department of Veterans Affairs Expiring Authorities Act of 2014, Public Law 113-175;
- Preventing Sex Trafficking and Strengthening Families Act, Public Law 113-183;
- Improving Medicare Post-Acute Care Transformation Act of 2014, Public Law 113-185;
- Consolidated and Further Continuing Appropriations Act, 2015, Public Law 113-235;
- An Act to amend certain provisions of the FAA Modernization and Reform Act of 2012, Public Law 113-243;
- Crooked River Collaborative Water Security and Jobs Act of 2014, Public Law 113-244;
- Federal Duck Stamp Act of 2014, Public Law 113-264;

- An Act to provide for the transfer of naval vessels to certain foreign recipients, and for other purposes, Public Law 113-276; and
- Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015, Public Law 113-291.

In addition to the laws identified above, 35 laws enacted in this session were estimated to have negligible budgetary effects on the PAYGO scorecards—costs or savings of less than \$500,000 over both the 5-year and 10-year PAYGO windows.

## **II. Budgetary Effects Excluded from the Scorecard Balances**

As shown on the scorecards, one law was enacted in the second session of the 113<sup>th</sup> Congress with an emergency designation under the Statutory PAYGO Act: the Veterans Access, Choice, and Accountability Act of 2014, Public Law 113-146. The costs of this law appear on the scorecard, but the costs are subtracted before computing the scorecard totals.

In addition, five laws enacted in the second session of the 113<sup>th</sup> Congress had estimated budgetary effects on direct spending and revenues that are not included in the calculations for the PAYGO scorecards due to provisions in law excluding all or part of the law from section 4(d) of the Statutory Pay-As-You-Go Act of 2010. Three laws included provisions excluding their budgetary effects from the PAYGO scorecards entirely: Public Law 113-93, Protecting Access to Medicare Act of 2014; Public Law 113-159, Highway and Transportation Funding Act of 2014; and Public Law 113-295, To amend the Internal Revenue Code of 1986 to extend certain expiring provisions and make

technical corrections, to amend the Internal Revenue Code of 1986 to provide for the tax treatment of ABLE accounts established under State programs for the care of family members with disabilities, and for other purposes. In addition, two laws included provisions excluding certain portions of those laws from the scorecards: Public Law 113-76, Consolidated Appropriations Act, 2014, for which Section 10001 of Division C was excluded from the scorecards; and Public Law 113-235, Consolidated and Further Continuing Appropriations Act, 2015, for which Divisions M, N, O, and P were excluded from the scorecards.

### III. PAYGO Scorecards

STATUTORY PAY-AS-YOU-GO SCORECARDS (in millions of dollars, negative amounts portray decreases in deficits)										
	2015	2016	2017	2018	2019					
Second Session of the 113 <sup>th</sup> Congress	-626	-626	-626	-626	-626					
Balances from Previous Sessions	<u>-9,969</u>	<u>1,066</u>	<u>-814</u>	<u>25</u>	<u>0</u>					
Five-year PAYGO Scorecard	-10,595	440	-1,440	-601	-626					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Second Session of the 113 <sup>th</sup> Congress	-1,521	-1, 521	-1, 521	-1, 521	-1, 521	-1, 521	-1, 521	-1, 521	-1, 521	-1, 521
Balances from Previous Sessions	-8,209	-8,209	-8,209	-8,209	-8,209	<u>-8,209</u>	<u>-1,838</u>	<u>-1,128</u>	<u>7</u>	<u>0</u>
Ten-year PAYGO Scorecard	-9,730	-9, 730	-9, 730	-9, 730	-9, 730	-9, 730	-3,359	-2,649	-1,514	-1, 521



The total net budgetary effects of all PAYGO legislation enacted during the second session of the 113<sup>th</sup> Congress on the five-year scorecard reduce the deficit by \$3,129 million. This total is averaged over the years 2015 to 2019 on the 5-year PAYGO scorecard, resulting in savings of \$626 million in each year. Balances carried over from prior sessions of the Congress create total net savings in 2015 of \$10,595 million and \$1,440 million in 2017. However, the balances carried over in 2016 create a net cost of \$440 million in that year. Balances in 2018 carried over from the prior session add costs to the scorecard which lessen net savings in that year to \$601 million. The five-year PAYGO window extended only through 2018 in the first session of the 113<sup>th</sup> Congress, so there were no five-year scorecard balances in 2019 to carry over.

The total 10-year net impact of legislation enacted during the second session of the 113<sup>th</sup> Congress was savings of \$15,215 million. The 10-year PAYGO scorecard shows the total net impact averaged over the 10-year period, resulting in savings of \$1,521 million in each year. Balances from prior sessions add savings to the scorecard which result in net savings of \$9,730 million in 2015 through 2020, \$3,359 million in 2021, and \$2,649 million in 2022. Balances in 2023 carried over from the prior session add costs to the scorecard which lessen net savings in that year to \$1,514 million. The 10-year PAYGO window extended only through 2023 in the first session of the 113<sup>th</sup> Congress, so there were no 10-year scorecard balances in 2024 to carry over.

#### **IV. Sequestration Order**

As shown on the scorecards, the budgetary effects of PAYGO legislation enacted in the second session of the 113<sup>th</sup> Congress, combined with the balances left on the

scorecard from previous sessions of the Congress, resulted in net savings on both the 5-year and the 10-year scorecard in the budget year, which is 2015 for the purposes of this Report. Because the costs for the budget year, as shown on the scorecards, do not exceed savings for the budget year, there is no “debit” on either scorecard under section 3 of the PAYGO Act, 2 U.S.C. 932, and there is no need for a sequestration order.

The savings shown on the scorecards for 2015 will be removed from the scorecards that are used to record the budgetary effects of PAYGO legislation enacted in the first session of the 114<sup>th</sup> Congress. The totals shown in 2016 through 2024 will remain on the scorecards and will be used in determining whether a sequestration order will be necessary in the future. All of the years of the 5-year and 10-year scorecards that will carry over into the first session of the 114<sup>th</sup> Congress will show balances of savings except for the year 2016 on the 5-year scorecard, which will show costs of \$440 million. Because 2016 will be the budget year in the first session of the 114<sup>th</sup> Congress, if the costs in that year on the 5-year scorecard are not offset by savings from PAYGO legislation enacted during the session, the PAYGO Act would require a sequestration order to be issued 14 days after the end of the session.

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